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BOLIVIAN GOVERNMENT FACES CRISIS

The Nationalist Revolutionary Movement (MNR) in Bolivia is facing its most severe test since it gained power through the April 1952 revolution. An economic crisis has arisen from domestic inflation and from the very low world price for tin, which must pay for three fourths of Bolivia's imports. At the same time, the government's political stability is threatened both by increased communist influence, now concentrated on the new agrarian reform program, and by possible MNR defections to support a rightist coup.

Following the signature in June and July of compensation agreements with the three Bolivian mining companies nationalized last October, Bolivia began negotiations with the United States for a one-year tin contract at world prices. Though the United States normally takes about half of Bolivia's tin, the indicated earnings from this contract will not resolve the financial crisis. World tin prices have dropped from the 1951 high of \$2.01 a pound to \$0.79. "This, plus some decline in production, indicates that Bolivia faces a deficit in this year's foreign exchange budget of about \$15,000,000, or 14.7 percent of its total foreign expenditures.

The exchange deficit creates a dilemma in that supplies to keep the mines operating as well as over half of Bolivia's food requirements must be imported, and the country does not have sufficient foreign funds for both. Fewer mining supplies imported this year would mean lower production and hence less foreign exchange earnings for next year's food imports. American officials in La Paz therefore believe that famine is an almost inevitable consequence of current economic trends. Moreover, food production in 1953 is likely to be further reduced by the new agrarian reform program.

This program, as announced in preliminary form by President Paz on 2 August, is not confiscatory in that, while decreeing higher wages for agricultural labor, it includes some protection for the rights of landowners. Further provisions still under study reportedly aim at depriving large landholders of acreage not in actual use.

State Dept. review completed

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A much more extreme set of measures, featuring outright expropriation of land and control of the program by agrarian syndicates, has been urged by the confederation of trade unions, the powerful Bolivian Labor Central (COB), and it is possible that a number of the existing syndicates may decide to follow the COB's plan rather than the government's. Various Indians, their expectations raised to impossible heights by Communist agitators, have already seized and murdered landowners, mostly in the rich Cochabamba Valley, 285 miles southeast of the capital.

Communist influence seems on the rise in Bolivia, regular party membership having risen from about 100 when the party was formally organized in May 1950 to an estimated 2000 last July. In addition to a larger number of sympathizers, there is also a Trotskyite party of about the same size and reportedly growing. The increase in Communist influence in recent months has been particularly marked in the COB and the agrarian syndicates, where Stalinists and Trotskyites are now cooperating to push extremist measures such as enlarging the COB's armed militia. Communists are also suspected of having brought about the recent rejection of eight scholarships offered under the Point IV program to bring Bolivian labor leaders to the United States.

In an apparent effort to gain control over important peasant leaders and to undercut Communist influence in the syndicates, the government organized a National Confederation of Rural Labor in late July. Since the August decree, however, further disturbances have occurred, and a few local officials in a region near Lake Titicaca have been kidnapped by members of some of the agrarian syndicates. Most of the Indians are armed and reportedly control virtually all territory outside of the departmental capitals, rendering local authorities powerless.

Meanwhile, this agrarian unrest has accentuated the cleavage within the MNR itself, since its right wing includes various large landowners. Some rightist members of the party collaborated with the Socialist Falange's abortive coup last January, and there have been persistent reports in recent weeks of new Falange plans to overthrow the Paz government.

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